

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**SB 1801 – HB 2024**

March 5, 2009

**SUMMARY OF BILL:** Reduces the state sales tax rate from seven percent to 5.5 percent on the retail sale of Energy Star qualified products. Defines Energy Star qualified products.

**ESTIMATED FISCAL IMPACT:**

On March 5, 2009, we issued a fiscal note for this bill indicating a *decrease to state revenue of \$120,405,000*. Based on additional information, the fiscal impact of this bill is estimated as follows:

**(CORRECTED)**

**Decrease State Revenue – Net Impact - \$114,875,400**

**Decrease Local Revenue - \$5,529,600**

Assumptions:

- Energy Star qualified product means a product that meets the energy efficient guidelines set by the United States Environment Protection Agency and the United States Department of Energy designating products that are authorized to carry the Energy Star label.
- Based on information provided by the Department of Revenue (DOR), and based on information obtained at [www.energystar.gov](http://www.energystar.gov), the products meeting Energy Star standards include, but are not limited to, household and commercial appliances, home electronics, lighting, food service equipment, and office equipment.
- According to DOR, and based from the sales and use tax return abstract, taxable sales of Energy Star products in Tennessee are estimated to be \$8,027,000,000 for FY09-10.
- The decrease of state revenue is estimated to be \$120,405,000 ( $\$8,027,000,000 \times 1.5\% = \$120,405,000$ ).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), incorporated municipalities receive 4.5925 percent of state sales tax revenue as state-shared sales tax revenue.

- The decrease of state-shared tax to local government is estimated to be \$5,529,600 per year ( $\$120,405,000 \times 4.5925\% = \$5,529,600$ ).
- The net decrease to state revenue is estimated to be \$114,875,400 per year ( $\$120,405,000 - \$5,529,600 = \$114,875,400$ ).
- This bill does not exempt such purchases from local option sales tax. As a result, there is no decrease to local option sales tax revenue.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/rnc